

**FINANCIAL MANAGEMENT:
Review of Assertions Included in the
Bureau of Alcohol, Tobacco and Firearms'
Fiscal Year 2001
Annual Report of Drug Control Funds**

OIG-02-053

February 25, 2002



Office of Inspector General

The Department of the Treasury

Contents

Report of the Office of Inspector General	2
---	---

Appendices

Appendix 1: Major Contributors To This Report	4
Appendix 2: Report Distribution	5

Bureau of Alcohol, Tobacco and Firearms' Annual Reporting of FY 2001 Drug Control Funds

Abbreviations

ATF	Bureau of Alcohol, Tobacco and Firearms
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
U.S.C.	United States Code



Report of the Office of Inspector General

The Department of the Treasury
Office of Inspector General

Bradley A. Buckles
Director
Bureau of Alcohol, Tobacco and Firearms

We have reviewed management's assertions in Section b of the accompanying Bureau of Alcohol, Tobacco and Firearms' (ATF) Annual Reporting of Fiscal Year 2001 Drug Control Funds (Submission).

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *"Annual Accounting of Drug Control Funds"* (Circular), and is the responsibility of ATF's management.

Based on our review, nothing came to our attention that caused us to believe that management's assertions included in Section b of the accompanying Submission are not fairly stated, in all material respects, based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of ATF, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Our report has been reviewed by your staff. Based on mutual agreement, we are issuing this report as final. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789. We appreciate the cooperation and the courtesies extended to our staff.

William H. Pugh
Deputy Assistant Inspector General for Financial Management and
Information Technology Audits
January 28, 2002

Financial Audits Division

Michael Fitzgerald, Director

Kimberly Fleming, Audit Manager

Ken Harness, Auditor

The Department of the Treasury

Office of Accounting and Internal Control

Bureau of Alcohol, Tobacco and Firearms

Director

Deputy Director

Assistant Director, Management / Chief Financial Officer

Assistant Director, Inspection

Assistant Director, Liaison and Public Information

Office of Management and Budget

OIG Budget Examiner



ASSISTANT
DIRECTOR

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
WASHINGTON, DC. 20226
DEC 12 2001

404030:TFS
1941.9

MEMORANDUM TO: James R. Lingeback
Deputy Chief Financial Officer

FROM: Assistant Director (Management)/CFO

SUBJECT: Annual Reporting of Fiscal Year 2001
Drug Control Funds

The Bureau of Alcohol, Tobacco and Firearms' (ATF) Annual Reporting of FY 2001 Drug Control Funds is attached per your request dated October 22, 2001.

ATF has reviewed its drug methodology in light of the Office of Inspector General's report dated February 2001. The attached report reflects the revised percentage for the number of drug related cases. This percentage is based on the number of defendants referred for prosecution in U.S.C. 18 section 922 (c). As a result of ATF's new methodology, the Bureau's drug percentage has decreased to 26.1 percent. We will continue to use and redefine this methodology to more accurately report our drug-related resources.

Should there be any questions, please contact Tamebra Spencer of the ATF Budget Office, (202) 927-9579.

A handwritten signature in black ink, appearing to read "William T. Earle".
William T. Earle

Attachment

**DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
Annual Reporting of FY 2001 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 2001 Drug Control Obligations

(\$ in millions)

Drug Resources By Goal		<u>FY 2001</u>
Goal 1		4.6
Goal 2		<u>161.4</u>
Total:		166.0
Drug Resources By Function		
Investigations		161.4
Prevention		<u>4.6</u>
Total:		166.0
Drug Resources By Decision Unit		
Reduce Violent Crime		166.0
Protect the Public		0.0
Collect the Revenue		<u>0.0</u>
Total:		166.0

(1) Drug Methodology

The Bureau of Alcohol, Tobacco and Firearms (ATF) estimate of drug-related costs is based upon the full-time equivalents (FTE) expended on investigations that result in drug-related charges being filed against defendants. Based upon historical case statistics, ATF has devoted approximately 26 percent of the FTE achieved and obligations incurred under its Reduce Violent Crime Activity for drug investigations or community outreach-oriented prevention projects. The Bureau divided the total of all defendants referred for prosecution by the number of defendants referred for prosecution under U.S.C. 18 section 924(c) provisions and/or a narcotics crime to derive a ratio. This ratio is used to pro-rate the share of total ATF budgetary resources, including both requested appropriations and anticipated reimbursable authority, applicable to support anti-drug programs. The "Reduce Violent Crime" major budget activity encompasses approximately 81.8 percent of the Bureau's FY 2001 Net Costs.

(2) Methodology Modifications

The methodology was clarified to more accurately state the data used in deriving the ratio of the bureau's activity with a drug nexus. The bureau divided the number of defendants referred for prosecution under U.S.C. 18 section 924(c) and/or a narcotics crime by the total of all defendants referred for prosecution in a year to derive a ratio. The resulting percentage is used to estimate the amount of total ATF budgetary resources.

(3) Material Weaknesses or Other Findings

None

(4) Reprogramming or Transfers

**DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
Annual Reporting of FY 2001 Drug Control Funds**

None

(5) Other Disclosures

The information and data reflects the Bureau's position in relation to the drug budget, and reflects methodology consistent with formulation of the drug budget.

b. Assertions

(1) Drug Methodology

Per our discussions with the Office of National Drug Control Policy and the Office of Management and Budget, the drug methodology used to estimate obligations and FTE utilization is reasonable and accurate. The criteria associated with this assertion are as follows:

(a) Data

The estimate of drug-related costs is based upon the full-time equivalents (FTE) expended on investigations that result in drug-related charges being filed against a defendant. ATF budgetary resources devoted to the drug budget are derived from a ratio by dividing the total of all defendants referred for prosecution in a year by the number of defendants referred for prosecution under U.S.C. 18 section 924(c) provisions and/or narcotics crimes. Based upon case statistics, ATF has devoted approximately 26 percent of the FTE achieved and obligations incurred under its "Reduce Violent Crime" (RVC) Activity. The most recent "net cost" data indicates that the Bureau devoted approximated 82% of its resources to the RVC Activity in FY 2001. This major activity would include investigations such as gun-related crimes with a drug nexus, drug investigations, or community outreach-oriented prevention projects, such as the Gang Resistance, Education and Training (G.R.E.A.T.). The methodology employed by ATF during FY 2001 is the same methodology that has been certified in the past by the Office of National Drug Control Policy.

(b) Other Estimation Methods

None

(c) Completeness

The Bureau of Alcohol, Tobacco and Firearms' Drug Control Budget contains two components: Investigations and Prevention. Both of these components fall under the Bureau's "Reduce Violent Crime" Activity.

**DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
Annual Reporting of FY 2001 Drug Control Funds**

(d) Financial Systems

The Bureau has migrated its financial system from a mainframe environment to a client-server in order to integrate the core financial system with other financial and mixed-financial systems. The new Financial Resources Desktop (FReD) was brought on-line October 1, 1999. In FY 2001, the method for tracking estimated drug-related obligations was the Financial Resources Desktop (FReD) utilizing elements such as gross obligations, project coding and obligations against earmarked initiative funding.

(2) Application of Methodology

For FY 2001, the methodology used to estimate obligations and FTE utilization is consistent with the narrative descriptions provided in paragraphs b.(1)(a) and b.(1)(d) above. This was the actual methodology utilized to generate the "Table of Prior Year Drug Obligations." However, fluctuations may occur from year-to-year based on the percentage of Bureau resources devoted to the "Reduce Violent Crime" Activity as well as fluctuations in percentage defendants being referred for prosecution on drug related charges. The fluctuations would be a function of changes occurring to the Bureau's most recent analysis of its "net cost of operations" for its three core activities, "Reduce Violent Crime," "Collect the Revenue" and "Protect the Public."

(3) Financial Plan – Including Reprogramming or Transfers

No changes were made to the Bureau's Financial Plan that required ONDCP approval per ONDCP Circular dated 12/17/99.